



A Report  
to the  
Board of  
Supervisors

*Maricopa County  
Internal Audit  
Department*

**Ross L. Tate**  
County Auditor

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# Sheriff's Office

## Custody Command Division

*Greater Oversight is Needed to  
Enhance Fund Accountability*

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August ■ 2009

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**The mission of Maricopa County** is to provide regional leadership and fiscally responsible, necessary public services so that residents can enjoy living in a healthy and safe community.

**The mission of the Internal Audit Department** is to provide assistance to the Board of Supervisors so they can ensure Maricopa County government is accountable to its citizens.

The County Auditor reports directly to the Maricopa County Board of Supervisors, with an advisory reporting relationship to the Citizen's Audit Advisory Committee.

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***"Do the Right Things Right!"***



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August 21, 2009

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We completed our fiscal year (FY) 2009 review within the Maricopa County Sheriff's Office (MCSO). This audit focused on selected areas within the Custody Command Division and was performed in accordance with the annual audit plan approved by the Board of Supervisors. The specific areas reviewed were selected through a formal risk-assessment process.

Highlights of this report include the following:

- Expenditures from the Inmate Services Fund and Jail Enhancement Fund need greater oversight
- Based on a sample of transactions, inmate court information appears to be accurately processed
- Based on a sample of transactions, Inmate Trust Fund account activity appears to be accurate

Within this report you will find an executive summary, specific information on the areas reviewed, and MCSO's response to our recommendations. We have reviewed this information with MCSO management and staff. If you have any questions, or wish to discuss the information presented in this report, please contact Richard Chard at 506-7539.

Sincerely,

A handwritten signature in cursive script that reads "Ross L. Tate".

Ross L. Tate  
County Auditor

# Executive Summary

## **Jail Enhancement Fund (Page 5)**

Based on our review of expenditures, we found Jail Enhancement Fund (JEF) monies were not always used to enhance County jail facilities and operations as required by statute. We found \$705,000 that was unrelated to jail facilities or operations, not justified, or expended for regular jail operations. These questionable expenditures deplete monies available to achieve the fund's intended purpose. Management should strengthen oversight of JEF spending.

## **Inmate Funds (Page 8)**

Based on a selection of transactions reviewed, MCSO appropriately accounted for and properly released inmate monies within the Inmate Trust Fund. However, we identified \$410,000 in expenditures from the Inmate Services Fund that did not appear to comply with statutory requirements. This leaves fewer dollars to fund programs directly benefiting inmate welfare and education. MCSO should strengthen controls over the Inmate Services Fund to ensure that expenditures include proper justification. In addition, improper FY 2009 expenditures should be transferred to the appropriate funding sources.

## **Information Processing (Page 12)**

Based on a selection of transactions reviewed, Sheriff's Information Management Services (SIMS) accurately processed court information, bonds, and fines. However, we observed a significant number of manual, data-entry processes. Efficiencies may be possible through interaction and coordination with court leadership and County management.

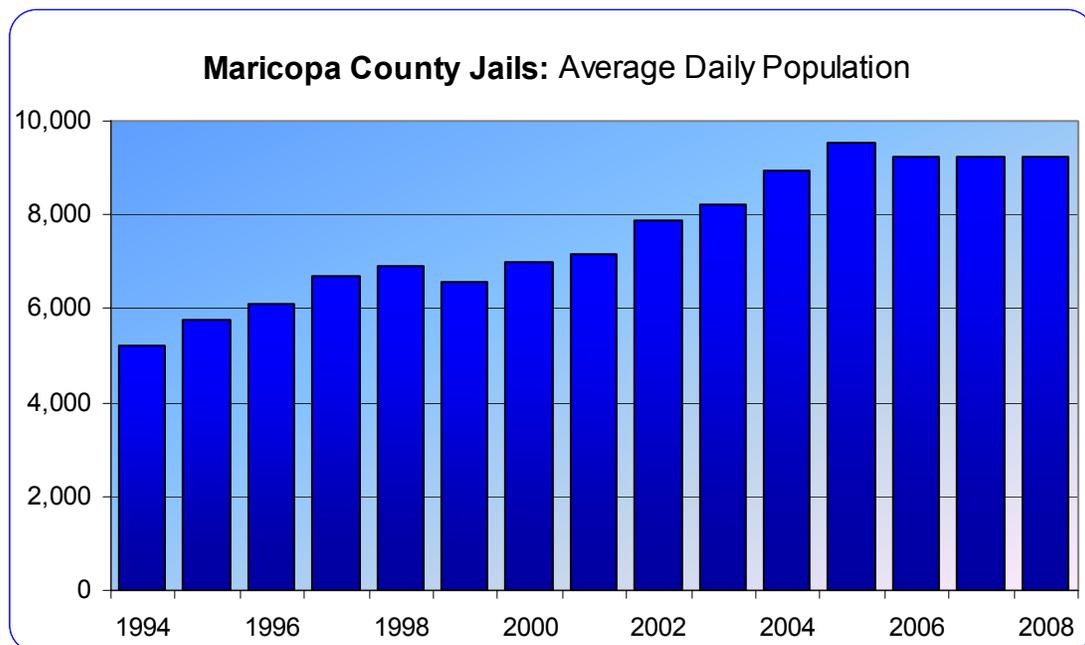
## **Canteen Food Contracts (Page 15)**

Based on a selection of invoices reviewed, MCSO implemented contract payment controls to identify most invoice discrepancies. However, some price discrepancies and product substitutions still occurred. Additionally, price adjustments were generally out of compliance with contract terms, which could lead to vendor overpayments. MCSO should enforce contract invoice documentation requirements and work with Materials Management to ensure that price adjustments are only approved if they are consistent with contract terms.

# Introduction

## Background

The Maricopa County Sheriff’s Office (MCSO) is the agency established to assist the Sheriff in executing his statutory duties and to provide public safety services to County citizens. Under Arizona Revised Statutes (ARS) §11-441 through 459 and §31-121, MCSO is responsible for County jails and detention operations. The Custody Command Division within MCSO is primarily responsible for the care, custody, and control of jail inmates. The average number of inmates housed in the County jails during FY 2008 was 9,250.



**The average daily population of jail inmates grew steadily in the 1990s, then leveled off starting in 2005**

*Source: MCSO Custody Business Operations*

## Missions, Goals, and Performance Measures

MCSO’s mission is to “provide law enforcement, detention and crime prevention services to the public so they can be safe and secure in our community.” The goal of the Custody Command Division is to “always meet constitutional standards for care, custody and control of inmates as well as a safe environment for staff.”<sup>1</sup>

## Organizational Structure

Custody Command includes four custody regions that operate central intake, jails, central services, transportation, information management, inmate classification, and custody support. Custody Command has 2,202 authorized positions, with 97 vacancies (as of April 15, 2009).

<sup>1</sup> Maricopa County FY 2008-09 Annual Business Strategies, p. 747.



### MCSO Oversight

Because of the inherent risks associated with MCSO operations, including custody management, MCSO receives oversight from various outside agencies, including those listed below.

Agency	Area Reviewed
<i>American Civil Liberties Union (ACLU)</i>	Jail Conditions
<i>U.S. Immigration and Customs Enforcement (ICE)</i>	Jail Conditions
<i>Federal Court System</i>	Jail Conditions
<i>U.S. Department of Justice (DOJ)</i>	Civil Rights/Other
<i>Arizona Department of Public Safety (DPS)</i>	Information Technology/Other
<i>Maricopa County Environmental Services Department (ESD)</i>	Food Safety/ Jail Conditions
<i>Maricopa County Risk Management (RM)</i>	General Safety/ Jail Conditions

## **Operating Budget**

For FY 2008, total expenditures by MCSO were \$282.4 million. Approximately 57%, or \$161.5 million, was for custody operations, such as detention management, transportation, meals, intake, and various inmate programs. FY 2008 revenues totaled \$70.7 million. Approximately 72%, or \$51.2 million, can be attributed to custody operations, such as collections from other jurisdictions for housing their inmates (per diem charges), and funds received from prisoners for toiletry and snack purchases. The Inmate Services Fund had \$10.9 million in expenditures and \$16.1 million in revenues during FY 2008. The Jail Enhancement Fund had \$656,000 in expenditures and \$1.4 million in revenues during FY 2008.

## **Scope and Methodology**

### Audit Objectives

The objectives of this audit were to determine if:

- Jail Enhancement Funds are being used in compliance with regulatory requirements
- Inmate trust funds are accounted for in accordance with MCSO policies and ARS
- Inmate Services Fund contract expenditures and transactions are in compliance with applicable terms
- Sheriff's Information Management Services (SIMS) accurately processes all court requests (inmate appearances, inmate releases, etc.) in a timely and efficient manner
- IT general controls over critical custody information systems (Jail Management System and/or Inmate Fund/Canteen System) are sufficient to protect the integrity of inmate data

### Audit Timeframe

We reviewed data covering the period July 1, 2006 through May 31, 2009.

### Scope Limitation

MCSO denied us access to the Jail Management System (JMS) and the Inmate Fund/Canteen System (IF/CS). In order to assess the reliability of system data used in this audit, an evaluation of system controls was necessary (Government Auditing Standards, July 2007 Revision, 7.23 – 7.27), but did not take place. Some alternative procedures were used to perform audit work.

### Auditing Standards

We conducted this performance audit in accordance with generally accepted government auditing standards except for the specific requirements within the Scope Limitation section above. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

# Issue 1 Jail Enhancement Fund

## Summary

Based on our review of expenditures, we found Jail Enhancement Fund (JEF) monies were not always used to enhance County jail facilities and operations as required by statute. We found \$705,000 that was unrelated to jail facilities or operations, not justified, or expended for regular jail operations. These questionable expenditures deplete monies available to achieve the fund's intended purpose. Management should strengthen oversight of JEF spending.

## Criteria

ARS §41-2401 authorizes the Arizona Department of Corrections (ADOC) to allocate 11.7% of the State Criminal Justice Enhancement Fund (JEF) to the county sheriffs for the purpose of enhancing county jail facilities and operations.

The ADOC's JEF Guidelines state how the allocated monies will be divided and spent.

- 25% divided equally among counties to ensure adequate training for detention personnel, or enhancing jail facilities and operations
- 25% divided equally for enhancing jails and jail operations
- 50% divided based on the ratio of jail/detention employees for jail facilities and operations
- The county sheriff has final authority on JEF allocations; funds cannot be utilized to supplant or replace budgeted funds or expenses that should otherwise be budgeted by the respective county or jail

MCSO policies state that special purpose funds should be used for purposes beyond normally budgeted programs. Requests to purchase an item with specialized funds should include reasons for requesting the purchase and the specific justification for using a specialized fund, among other details.

## Condition

### Compliance with Laws and Policies

To test for compliance with applicable laws and policies, we sampled 103 transactions from FY 2008 and FY 2009 that totaled \$1.2 million. Procurement card expenditures accounted for 14 transactions and checks accounted for the remaining 89. We identified \$705,000 in questionable JEF expenditures that were either unrelated to jail facilities or operations, or were expended for regular jail operations. (See page 6 for details.) In addition, we noted a lack of supporting documentation or valid justifications. (See page 7 for details.)

The following questionable transactions (\$682,299) appeared to be for regular, ongoing, or unrelated purchases for jail facilities or operations.

Vendor	Item(s) Purchased	Price
HP	Computer hardware for Enterprise Server Project "Sands"	\$ 160,689
Gall's Inc.	200 Point Blank correction vests with trauma plates	115,128
Proforce Law Enforcement	507 Taser batteries with 4 year warranty	97,028
IBM/LENOVO	Pre-booking computer system hardware and software	95,670
ASAP Software	Microsoft software for Enterprise Server Project, 2008 version	32,738
Tactical & Survival Spec. Inc.	13 ballistic shields	28,249
Arizona Tactical Inc.	Riot helmets	17,593
Maricopa Integrated Health Systems	Vaccines and medical test supplies	17,441
Allfab Engineering Co., Inc.	Riot gear carts for Emergency Response Teams	15,738
Nova	Electronic RACC belts for transporting inmates	13,875
AramSCO	Upgraded gas masks	12,634
Calence Inc.	Pre-booking hardware and software	10,241
ATD-American Co.	50 leg braces	9,826
Arizona Restaurant Supply Inc.	Refrigerator	9,405
Scottsdale Gun	Pepper ball supplies	8,636
CDW-G	Monitors	8,324
Arizona Correctional Industries	500 mattress covers	7,527
Arizona Tactical Inc.	Cuffs and leg irons	7,378
Earhugger Safety	350 radio earphones for court security division	7,350
Bob Barker Company	10 leg braces to replace older deteriorating restraints	2,168
Independent Hardware Inc.	500 padlocks for leg chains; restocking	2,070
Bill Williams	Research, letter for Chief, and deposition	1,700
Bill Williams	Review deposition in legal case	500
Sonora Quest Laboratories	Blood and hepatitis B tests for employees	224
All the King's Flags	Replacement of U.S. flag for training center exterior flagpole	167
		<b>\$ 682,299</b>

In addition, we found the following transactions (\$22,304) did not have sufficient supporting documentation to determine whether JEF money was used appropriately.

Vendor	Item(s) Purchased	Price
Scottsdale Gun Club *	Pepper ball system supplies	\$ 10,123
P-Card	Education	3,031
P-Card	Equipment	2,402
National Assoc of Extradition Officials	Seminars/Training	2,375
United Fire Equipment Co.	Testing of air pack regulators	2,216
United Fire Equipment Co.	Testing of air pack regulators	1,389
P-Card	Travel	509
P-Card	Services	119
P-Card	Supplies	95
P-Card	RICO	45
		<b>\$ 22,304</b>
* This transaction was also a questionable expenditure.		

### Reconciliations of Financial Transactions

We were able to reconcile JEF revenues and expenditures for the period of July 1, 2007 through April 30, 2009 to supporting documents (e.g., check registers, quarterly reports, bank statements, and Arizona Criminal Justice Commission reports). Variances were minor (less than 1%) and attributable to voids, reversals, refunds, etc.

### **Effect**

Some JEF expenditures lacked adequate documentation, which made it difficult to determine the propriety of the expenditures. These questionable expenditures could deplete monies for purchases that enhance jail facilities or operations, and could raise questions as to whether regular budgets had been supplanted with JEF funds.

### **Cause**

Existing laws and policies are too vague to clearly distinguish the type and nature of expenditures that are allowable under JEF. In addition, MCSO management does not thoroughly review spending requests that require specific justification explaining why funds should be charged to JEF.

### **Recommendations**

Maricopa County Sheriff's Office should:

- A. Ensure that all JEF expenditure requests include sufficient supporting documentation to justify usage of JEF funds.
- B. Consider implementing more stringent and specific policies and procedures for JEF usage.

# Issue 2 Inmate Funds

## Summary

Based on a selection of transactions reviewed, MCSO appropriately accounted for and properly released inmate monies within the Inmate Trust Fund. However, we identified \$410,000 in expenditures from the Inmate Services Fund that did not appear to comply with statutory requirements. This leaves fewer dollars to fund programs directly benefiting inmate welfare and education. MCSO should strengthen controls over the Inmate Services Fund to ensure that expenditures include proper justification. In addition, improper FY 2009 expenditures should be transferred to the appropriate funding sources.

## Background

ARS §31-121 allows MCSO to establish an inmate canteen (commissary) and special services fund called the Inmate Trust Fund (ITF). The canteen sells toiletries, snacks, and miscellaneous items to inmates. MCSO sets up an account in the ITF for monies that inmates have when they are booked into jail or that is deposited later on their behalf. The money can be used to purchase items from the canteen, as well as for other purposes, and any unused balance is refunded to the inmate upon release or transfer from jail.

The inmate services fund (ISF) is a special revenue fund used to account for canteen sales and operations. Each month, canteen sales revenues are transferred to the ISF. This fund is used to purchase canteen merchandise, pay canteen employee salaries, and purchase other inmate related items.

## Criteria

MCSO has several written policies and procedures. These policies address the following areas:

- Inmate canteen function and funds
- Inmate custody records and files
- Inmate fund accounts
- Accountability of monies and negotiable instruments
- Collecting, safeguarding, and disbursing cash
- Supply requisition, procurement, and inventory

The State and Local Government Committee of the American Institute of Certified Public Accountants (AICPA) recommends 40 safeguards and procedural controls over cash receipts. Some of the most important controls recommended over cash handling include segregation of cash collection, receipting, and depositing duties; restrictively endorsing checks when received; requiring pre-numbered receipts; timely deposits; daily balancing of cash collections; and physical safeguarding of cash funds.

## Condition

### Depositing of Inmate Funds

We reviewed \$31,653 in ITF deposits for May 4 - 6, 2009. The deposits were made timely, in the correct amounts, and all applicable policies were followed.

### Accounting for Inmate Funds

To determine if inmate funds were receipted and released in accordance with MCSO policies and procedures, we obtained account histories for 50 inmates booked into the County jails. Twenty inmates had money (\$699) in their possession when booked. In each case, the inmates signed to attest that the amount deposited into their account was correct, as required by MCSO policy. In addition, we traced these amounts to those actually deposited in their accounts. We found no exceptions.

We also reviewed the accounts of nine inmates that died while in MCSO custody during 2007 and 2008 to determine if monies were released in compliance with MCSO policy. We found no exceptions.

While conducting this test, we noted that, although all of the files reviewed contained the documentation we needed, the files were not consistently organized.

### Processing Inmate Orders

We traced a sample of 10 inmate canteen orders totaling \$242 from the initial order to the signed delivery sheet. This included entering orders into the Inmate Fund/Canteen System and related order controls. We found no exceptions.

### Expending Inmate Trust Fund Money

We reviewed a sample of 50 ITF disbursements totaling nearly \$1.1 million for compliance with state statute, which requires that monies be used for the education and welfare of inmates. Most of the transactions (37 of 50, or 74%) were transfers of inmate money to the Arizona Department of Corrections, Arizona Department of Revenue, Arizona Department of Economic Security, or to the inmate. Nine transactions were related to inmate education, such as subscriptions to periodicals or copies of court documents. Three transactions were related to inmate welfare, including copayments for health services and a charitable donation. The final transaction was a transfer of monthly canteen sales, including net profit, to the ISF. No exceptions were noted.

### Expending Inmate Services Fund Money

We reviewed a sample of 99 (out of 9,892) ISF non-personnel expenditures to determine if net profits were spent on inmate education and welfare as required by statute. These expenditures occurred between July 1, 2006 and May 11, 2009 and represent approximately 1% of all



**Carts used to transport inmate canteen orders**

transactions. We found no exceptions with 88 transactions, which represented 85% (\$144,902 of \$170,925) of the total dollars reviewed. However, the remaining 11 transactions, totaling \$26,023, appeared to be improperly charged to the ISF, as shown below.

- Seven transactions were for supplies and repairs related to general detention operations, such as rubber gloves and “spit masks” (\$10,414)
- Three transactions were for services and equipment related to information technology operations, such as a consultant working on upgrading the Jail Management System and Technology Financing Program (TFP) payments (\$13,714)
- One transaction was for promotional supplies, including animal shaped pens and sticky note pads (\$1,895)

MCSO management reported that the seven transactions for supplies and repairs should not have been charged to ISF. Management reported that any FY 2009 transactions will be moved to the appropriate fund, and jail commanders will be reminded of required ISF procedures. In addition, management reported that the Sheriff’s Posse should have paid for the promotional items; MCSO will seek reimbursement.

Based on the exceptions noted above, we conducted additional testing of FY 2009 ISF transactions involving promotional items and stock requisitions. We identified \$383,942 in potentially inappropriate ISF expenditures as shown below.

Description	Original Exceptions *	Additional Exceptions	Total Exceptions
Promotional Supplies	\$ 1,895	\$ 5,120	\$ 7,015
TFP Loan	4,869	48,695	53,564
IT Consultants	8,845	0	8,845
Detention Supplies/Repairs	10,414	330,127	340,541
<b>Totals</b>	<b>\$ 26,023</b>	<b>\$ 383,942</b>	<b>\$ 409,965</b>
* See transactions listed above for details.			

Subsequent to our fieldwork, the Sheriff’s Posse reimbursed the ISF \$7,015 for promotional supplies. MCSO also corrected the following expenditures that were inappropriately charged to the ISF by transferring them to the Detention Fund:

- TFP loan (\$53,564)
- FY 2009 stock requisition and detention operations repair charge included in our original sample (\$2,395)

## **Effect**

Approximately \$410,000 of the transactions we reviewed were improperly charged to the ISF, which leaves fewer dollars to fund programs directly benefiting inmate welfare and education.

Unorganized inmate files can cause delays in processing inmate information and in identifying missing paperwork (which may also impede releasing inmates).

## **Cause**

MCSO does not enforce policy provisions that require a thorough transaction review and specific justification to determine the propriety of ISF expenditures. In addition, MCSO policy does not specify how to organize inmate files.

## **Recommendations**

Maricopa County Sheriff's Office should:

- A.** Review FY 2009 ISF expenditures to identify other improper expenditures and transfer those to the proper funding source.
- B.** Ensure that all ISF expenditure requests contain sufficient supporting documentation and approvals, and that the fund is not used for regularly budgeted programs.
- C.** Revise its policy to include standard organization of inmate files.

# Issue 3 Information Processing

## Summary

Based on a selection of transactions reviewed, Sheriff's Information Management Services (SIMS) accurately processed court information, bonds, and fines. However, we observed a significant number of manual, data-entry processes. Efficiencies may be possible through interaction and coordination with court leadership and County management.

## Criteria

MCSO has written policies and procedures that provide guidance for SIMS processes and procedures. The policies incorporate procedures for handling cash, accessing safes, processing confinement orders, accepting self-surrenders, and updating appropriate Jail Management System (JMS) records.

The State and Local Government Committee of the American Institute of Certified Public Accountants (AICPA) recommends 40 safeguards and procedural controls over cash receipts. Some of the most important controls recommended over cash handling include the segregation of cash collection, receipting, and depositing duties; restrictively endorsing checks when received; requiring pre-numbered receipts; timely deposits; daily balancing of cash collections; and physical safeguarding of cash funds. We incorporated MCSO policies and AICPA recommended control guidelines, as appropriate, in our review.

## Condition

### *Inmate Information Processing*

For 39 inmates booked in May 2009, we traced all court information in the integrated Court Information System to JMS, and found that all required court information was correctly entered.

### *Bonds and Fines Processing*

We tested a sample of 356 bonds and fines totaling \$270,148 received by the SIMS unit during the months of July 2008 and November 2008. Overall, we concluded that bonds and fines were accurately processed. However during our observations, we noted the following minor cash handling exceptions.

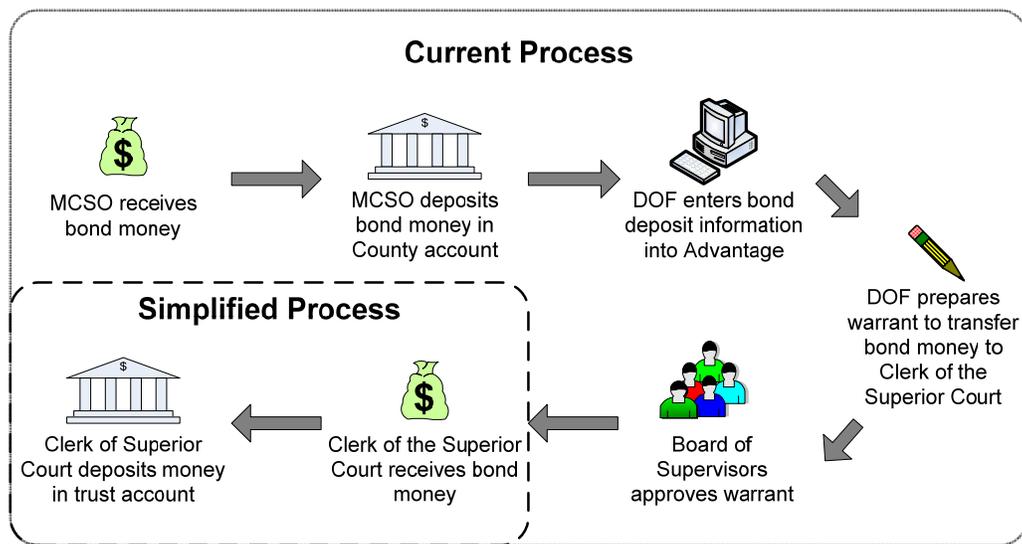
Exceptions	# of Occurrences
End of shift paperwork was not properly signed	8
End of shift paperwork was incomplete	2
Cash bond verification was not done	1
Counterfeit bill procedures were not followed	12

We also were unable to locate supporting court orders for 28 bonds (8% of the sample). Without supporting documentation, the inmate files were incomplete, which could delay the processing or releasing of inmates. We noted that a majority of these exceptions related to bonds that were set by municipal courts and not by Maricopa County Superior Court.

Potential Efficiencies

JMS has limited, electronic exchange with Superior Court’s criminal division. Currently the system does not interface with any other court systems or Superior Court divisions. Therefore, the SIMS unit is responsible for manually entering all court information into JMS. This is a very labor intensive process as all court information such as court dates and times, release dates, bond amounts, and sentencing information must be manually entered.

Although not a statutory requirement, MCSO accepts bonds on behalf of various courts. SIMS operates two cashier windows to accept bonds. The following flowchart illustrates the bond receipt process for Superior Court cases.



For the 356 bonds reviewed, it took an average of eight calendar days from the day the bond was posted before a warrant (check) was cut by the Department of Finance (DOF). We believe significant efficiencies could be realized, including a reduction in administrative costs, by the Clerk of the Superior Court receiving and depositing the bond monies directly into its trust account.

**Effect**

Not following established cash handling procedures at the end of shifts increases the risk of potential losses. Manually entering inmate information into JMS increases the risk of errors and may affect court calendars. The current bond process could also delay the availability of monies for the courts or for the person posting the bond.

## **Cause**

MCSO staff did not follow all cash handling policies, and they manually process all court information due to limited electronic information. MCSO receives bonds for inmates in custody. These bonds are deposited into the County's bank account; DOF processes the bonds as payments to the various courts.

## **Recommendations**

The Maricopa County Sheriff's Office should:

- A. Ensure that all MCSO cash handling policies are followed.
- B. Work with court leadership and County management to increase efficiencies in the bond collection process and expand electronic interfaces between systems.

# Issue 4 Canteen Food Contracts

## Summary

Based on a selection of invoices reviewed, MCSO implemented contract payment controls to identify most invoice discrepancies. However, some price discrepancies and product substitutions still occurred. Additionally, price adjustments were generally out of compliance with contract terms, which could lead to vendor overpayments. MCSO should enforce contract invoice documentation requirements and work with Materials Management to ensure that price adjustments are only approved if they are consistent with contract terms.

## Criteria

County Contract 05093-C and Contract 08095-C set several requirements, including:

- Contract amendments, supplements and/or revisions will be effective upon receipt and approval of notice to Materials Management
- Items will have a specific shelf life remaining at the time of delivery
- MCSO will ensure additional charges are in compliance with the contract upon delivery. All documents related to these costs will be retained for audit purposes
- All invoices will indicate the contract number, County purchase order number, quantity, description of material, and pricing per unit
- If a specific item cannot be obtained, an alternate of equal or better value may be offered at the contract price at MCSO's discretion; if the alternate offered is not acceptable, MCSO may obtain the item on the open market and charge the price differential to the contract vendor
- Requests for product price adjustments must be within the Producer Price Index (PPI) or in line with a market study (only allowed in Contract 08095-C), supported by appropriate documentation, and submitted thirty days prior to the effective date.
- Increases are subject to approval in writing by the Materials Management Department prior to any adjusted invoicing submitted for payment

Maricopa County Procurement Code Section MC1-314 *Method of Source Selection* states that, unless otherwise authorized by law, all Maricopa County contracts shall be awarded by competitive sealed bidding. Additionally, Section MC1-359 *Price of Cost Analysis* states the procurement officer shall conduct a price or cost analysis, if required.

## Condition

MCSO spends over \$2 million a year on candy, snacks, and miscellaneous food items which are resold to inmates. MCSO can purchase from five vendors awarded under the inmate canteen food contract. We conducted tests to verify that invoice, price adjustment, and shelf life requirements complied with contract terms.

Invoice Testing

We reviewed 71 of 1,380 invoices (5%) paid between July 2007 and April 2009, for compliance with contract terms. We found MCSO established controls for identifying most invoice discrepancies. However, we identified overcharges totaling \$3,361 and undercharges totaling \$4,930, resulting in a net undercharge of \$1,569. Overcharges were mostly the result of product substitutions, and according to MCSO, undercharges were often the result of vendor discounts or rebates. The details of this evaluation are presented below.

Vendor	Invoices Reviewed	Total Payments Reviewed	Over/(Under) Charges
Kellogg Supply Co.	20	\$ 200,354	\$ 201 *
Vistar	19	\$ 139,331	\$ 3,160/(\$ 4,848)
Keefe Supply Co.	16	\$ 203,000	(\$ 82)
Jenny Service Co.	11	\$ 128,045	0
Food Express	5	\$ 20,105	0
Totals	71	\$ 690,835	\$ 3,361/(\$ 4,930)
* \$133 was already reimbursed by this vendor.			

The contract requires that vendor invoices reference the contract and County purchase order. Many invoices lacked this information and perhaps more significantly, did not include the detail necessary to accurately recalculate line item pricing. The table below describes the failure rate of vendors to include quantity per unit (e.g., number of units per case) and package size, both key elements to verify pricing.

Vendor (Total Items Tested)	Failed to Include Quantity Per Unit on Invoice	Failed to Include Package Size on Invoice
Kellogg (596)	17%	26%
Vistar (747)	0%	0%
Keefe (229)	23%	2%
Jenny (135)	0%	34%
Food Express (6)	0%	17%
Note: The percentage represents the failure rate of all invoices in sample for each vendor.		

Product size, case size, and item pricing often varied from the amounts agreed upon in one vendor's contract. Vistar often substituted products of a different size, unit quantity, price, and

sometimes brand for out of stock items. MCSO did not document the reason for these substitutions. The lack of documentation makes it difficult to determine if contract terms are being followed and whether substituted items are of equal or greater value.

MCSO also purchased over \$88,000 in pork rinds from Keefe (approximately 43% of the total amount reviewed for this vendor) between June 2007 and July 2008, even though Keefe was not an approved vendor for pork rinds. MCSO did not solicit bids for this item to determine if Keefe offered the most competitive pricing.



**\$88,000 spent on pork rinds purchased from a non-approved**

Price Adjustment Verifications

The contract includes a price escalation clause, which allows vendors to increase the price of individual goods sold based on increases in the PPI for the commodity of the contract. While contract oversight is primarily the responsibility of each agency, price analyses are conducted by a procurement officer and increases are subject to the written approval of Materials Management. We judgmentally selected 16 price adjustments effective between July 2006 and August 2008 and found price changes were not always consistent with contract terms. The following table details our findings.

Price Adjustment Exceptions (All Vendors)		
Exception Type	Number of Exceptions (out of 16)	Exception Rate
Price adjustment based on a market study rather than the increase in the associated commodity per PPI	12	75%
Justification documentation was not found in contract documentation	9	56%
30 days did not elapse between price increase request and price increase effective dates	7	44%
Price increase is based on PPI for the commodity, but the actual price increase is greater than the increase in PPI	3	19%
Price increase not consistent with request*	1	6%
*Vendor requested price increase for a case of muffins to \$11.78; price was increased to \$12.40.		

Additionally, during our invoice testing, we identified a price increase approved by Materials Management based on inaccurate information. The vendor's price increase request included the contract line number and current price of a different product. The letter indicated the price would increase from \$17.13 to \$18.33, an increase of 7%. Based on this information Materials Management approved the requested increase. The correct current price for the product was \$15.29 resulting in a price increase of 20%.

These exceptions represent a weakness in the contract administration and contract oversight process. The current contract, effective in January 2009, includes a provision for conducting market studies as a basis for price adjustments in lieu of using the PPI.

### Shelf Life Verifications

To determine if contract vendors complied with shelf life requirements for perishable items, we observed shipments from the three largest vendors (by sales volume), and found that the vendors complied with shelf life requirements.



**24 items were within shelf life expiration dates**

### **Effect**

Omitting details from vendor invoices prevents MCSO from accurately verifying invoice line items. Additionally, ignoring contract requirements for price escalation can result in excessive and inappropriate price adjustments. Finally, procuring items off contract from a single vendor violated the County's Procurement Code, which partially serves to ensure the County and its customers receive the best pricing.

### **Cause**

MCSO did not enforce contract terms requiring vendors to include package size and quantity per unit on all invoice line items, and procedures for reviewing invoices were not always adequate to catch package size and quantity per unit discrepancies. Materials Management did not require vendors to comply with the criteria found in the price escalation clause.

### **Recommendations**

Maricopa County Sheriff's Office should:

- A. Require vendors to submit invoices with enough detail to accurately recalculate line items, and establish procedures for verifying per unit cost for a random sample of invoices on a continuous basis.
- B. Implement procedures for documenting price discrepancies and product substitutions.
- C. Ensure all items procured have been approved according to Procurement Code requirements and are included on the contract.
- D. Work with Materials Management to establish written procedures to ensure price escalations are consistent with the contract's price escalation clause and that documentation sufficiently supports approved price adjustments.

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# **Sheriff's Office Response**

**AUDIT RESPONSE**  
**SHERIFF'S OFFICE—DETENTION August 19, 2009**

**Issue #1**

**MCSO expended \$705,000 in Jail Enhancement Fund (JEF) that do not appear to enhance jail facilities or operations as required by statute.**

Response: The Sheriff's Office does not concur with this issue as stated by the auditors. The Office has consistently used JEF to enhance County jail facilities and operations and closely monitors all purchases and training ensuring compliance with DOC guidelines, and respectfully asserts that an inaccurate assumption was made in the auditors' approach to expenditure of funds.

The Office follows the 2001 JEF guidelines from Department of Corrections (DOC). The Office reviews the annual reports of all County Sheriffs to determine how JEF is expended and has had the support/concurrence of DOC. All of the purchases listed in the Auditor's Report meet the JEF guidelines of increasing or improving the value, quality, desirability or attractiveness of County jail services or operations. The Legislature used the term "enhancement" thereby deferring to the **expertise** of those who run the jails to determine what they need to improve or enhance jail operations. The auditor report interpretation of "enhancement" does not coincide with JEF guidelines and Attorney General legal opinions. Your report further states that "existing laws and policies are too vague to clearly distinguish the type and nature of expenditures that are allowed under JEF." Periodic audit review is valued concerning fund management and transaction oversight. The Sheriff and custody management professionals have a more keen perspective to determine what is needed to improve or enhance jail operations.

Limited appropriations are provided for jail operations. There has been no funding appropriated for improvements and new programs. JEF allocations are intended to enhance jail operations. The Sheriff's Office does not view purchases listed in the report as supplanting because these items were not funded in the base budget.

**Recommendation A:** Ensure that all JEF expenditure requests include sufficient supporting documentation to justify usage of JEF funds.

Concur: The Sheriff's Office will improve review of justifications for JEF use and ensure that supporting documentation, including the MCSO request form, is provided for each JEF purchase.

Target Completion Date: Completed.

Benefits/Costs: Increased control over accountability.

**Recommendation B:** Consider implementing more stringent and specific policies and procedures for JEF usage.

Response: The Office follows DOC JEF guidelines.

Target Completion Date: Completed.

Benefits/Costs: Increased control over accountability.

### **Issue #2**

**MCSO expended \$410,000 from the Inmate Services Fund which did not appear to directly benefit inmate welfare and education as required by statute.**

**Recommendation A:** Review all FY 2009 ISF expenditures to identify other improper expenditures and transfer those to the proper funding source.

Response: Concur. The transactions identified have been corrected.

Target Completion Date: Completed.

Benefits/Costs: Increased control over accountability and accuracy.

**Recommendation B:** Ensure that all ISF expenditure requests contain sufficient supporting documentation and approvals and that the fund is not used for regularly budgeted programs.

Response: The County has specified detention functions or programs providing a service or improvement for inmates to be appropriated in ISF. Any transaction that was incorrectly expended from ISF has been corrected (see recommendation A).

Target Completion Date: Completed.

Benefits/Costs: Increased control over accountability.

**Recommendation C:** Revise policy to include standard organization of inmate files.

Response: Concur--Completed.

Target Completion Date: Completed.

Benefits/Costs: Improve processing and releasing inmates. Reduce holding costs.

### **Issue #3**

**Sheriff's Information Management Services (SIMS) accurately processes court information, bonds, and fines. However, efficiencies may be possible for a significant number of manual, data-entry processes within this area.**

**Recommendation A:** Ensure that all MCSO cash handling policies are followed.

Response: Concur--will implement immediately.

Target Completion Date: Completed.

Benefits/Costs: Increased control over accountability.

**Recommendation B:** Work with court leadership and County management to increase efficiencies in the bond collection process and expand electronic interfaces between systems.

Response: Concur. The bond collection process is the responsibility of the courts. The Sheriff's Office provides this service to the courts as a courtesy. The courts and County management need to assume the responsibility for this program.

Target Completion Date: As the Courts and County Management are responsible for bonds and fines, the completion of the transfer of the function should be determined by those parties.

Benefits/Costs: Improved process, possible costs reduction over the long run.

**Issue #4:**

**MCSO established contract payment controls to identify most invoice discrepancies. However, price discrepancies and product substitutions still occurred. Additionally, price adjustments were generally out of compliance with the contract's terms.**

**Recommendation A:** Require vendors to submit invoices with enough detail to accurately recalculate line items, and establish procedures for verifying per unit cost for a random sample of invoices on a continuous basis.

Response: Concur--in process.

Target Completion Date: June 30, 2010

Benefits/Costs: Accurate vendor invoices for purchased items.

**Recommendation B:** Implement procedures for documenting price discrepancies and product substitutions.

Response: Concur--Completed.

Target Completion Date: Completed

Benefits/Costs: Increased control over accountability and accuracy .

**Recommendation C:** Ensure all items procured have been approved according to Procurement Code requirements and are included on the contract.

Response: Concur--in process.

Target Completion Date: June 30, 2010

Benefits/Costs: Increased control over accountability as authorized by contract.

**Recommendation D:** Work with Materials Management to establish written procedures to ensure price escalations are consistent with the contract's price escalation clause and that documentation sufficiently supports approved price adjustments.

Response: Concur--in process.

Target Completion Date: June 30, 2010

Benefits/Costs: Increased control over accuracy of price adjustments

Approved By:



**Gerard Sheridan**  
**Executive Chief, Custody Command**

8/19/09  
Date